UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
LIMITED

DP/1995/L.6/Add.14
14 June 1995

ORIGINAL: ENGLISH

Annual session 1995
5-16 June 1995, New York

DRAFT REPORT ON THE ANNUAL SESSION
NEW YORK, 5-16 JUNE 1995

IX. UNITED NATIONS DEVELOPMENT FUND FOR WOMEN

1. The Administrator introduced the report on the United Nations Development Fund for Women (UNIFEM) (DP/1995/16), and underlined the actions taken to strengthen programme, financial and managerial accountability with regard to UNIFEM while minimizing the anticipated financial shortfall. He was confident that, by undertaking strong management measures, UNIFEM was on a sound managerial footing as the Fourth World Conference on Women approached. The UNIFEM Consultative Committee had conveyed to him its support for a number of the proposed measures to put the Fund on a sound financial footing.

2. The predominent goal, the Administrator explained, was to eliminate the negative balance of general resources of UNIFEM by the end of 1997. The estimated shortfall had been revised downward since the second regular session of the Executive Board, largely through UNIFEM having received a higher level of contributions than expected and as a result of beneficial foreign exchange fluctuations. The projected general resources deficit stood at about $3 million in 1995.

3. As elaborated in the report, the Administrator stated that the primary responsibility for the lack of managerial oversight rested with UNIFEM. No fraud, waste or abuse of UNIFEM funds had occurred. He recognized that UNDP could have been more assertive in overseeing the financial management of the Fund and noted that UNDP was formulating ways to enhance the financial management of all programme funds that would be shared with the Board.

4. Components of the strategy to address the financial situation of UNIFEM were elaborated, including suspension of pipeline projects, reductions of budgets for existing projects and for administrative and technical support costs, intensive resource mobilization and identification of projects for co-financing. Measures to ensure responsible oversight in programme, financial and administrative matters were also outlined. The Administrator asked the Executive Board to authorize UNIFEM to proceed with its programme based on reasonable projections; to suspend the requirement for the operational reserve until the Fund was on a sound financial footing; and to approve the overdraft facility UNDP would provide on an as-needed basis.

/...

5. The Director of UNIFEM, in her opening remarks, stated that since the second regular session of the Executive Board, UNIFEM had made every effort to reduce expenditures. Information had been provided to members of the Board during informal consultations in May 1995. UNIFEM was now addressing a set of changes to restructure its programme and respond effectively to the needs of women while taking into account its mandate and its financial situation. The Director outlined measures being taken to cut administrative and programme costs. She explained that with regard to new projects, the ability of UNIFEM to respond to the outcome of the Fourth World Conference on Women would be crucial for its viability as an organization. The year 1995 thus presented opportunities that could not be missed for women in the developing world. The support of the Executive Board for the proposed line of credit and co-financing options would enable UNIFEM to undertake new activities to move the issues of women forward in a cost-effective way.

6. A draft decision was circulated at the outset of the discussion on the item. Many delegations said the draft presented a workable solution for the future of UNIFEM while some cited reservations based on certain aspects of the draft text.

7. Most delegations expressed support for the measures being undertaken by UNIFEM and UNDP to redress the management situation and said the proposed strategy offered assurances that a similar problem to the one experienced would not occur again.

8. Several delegations stressed that the accountabilty of individuals and the reasons for mismanagement and lack of oversight must be clarified. The matter would have to be reviewed at a future session of the Executive Board when the results of the ad hoc review committee were known. One delegation asked that UNDP provide the Board with information on the control of other funds and programmes at its third regular session 1995.

9. One delegation, supported by others, stated that the delay with which the Executive Board had been provided information on the matter was serious. The documentation presented to the Board included information that the deficit was reported internally in August 1994, but the Board was informed only in April 1995.

10. A number of delegations referred to the positive performance of UNIFEM and hoped that the measures would enable the Fund to resume its necessary role in assisting women in developing countries. In that regard, several delegations announced that their governments had increased their contributions to UNIFEM or intended to do so.

11. Delegations raised some reservations, as had the Board of Auditors, about a projected rise in income for UNIFEM, particularly in relation to anticipated administrative costs. While most delegations support the need of UNIFEM to undertake new activities following the Fourth World Conference on Women, one delegation cautioned that UNIFEM should not have the authority to begin new projects until the Executive Board was informed of positive results of the new measures.

12. Most delegations expressed support for the provision of an overdraft facility, with strict limits and controls, with some speakers noting reservations on the charging of interest for the use of the facility. Most also agreed that the requirement for an operational reserve should also be suspended. It was imperative that UNIFEM operate with full financing until it had been put on a sound financial footing. Co-financing opportunities, of an estimated $2 million in 1996, were also viewed favourably, with some delegations stressing that any UNDP involvement should be in line with the organization's priorities.

13. Other comments related to the need to reduce overhead in UNIFEM and the need to ensure that the outposting of the UNDP/DOF staff member to UNIFEM be temporary. One delegation asked for identification of the UNIFEM posts that were to be frozen.

14. Many delegations noted the key role of the external evaluation of UNIFEM, with some announcing that they were prepared to contribute financially to the exercise. One delegation asked that a report be submitted at the third regular session 1995 on the composition of the external evaluation team.

15. In response, the Administrator said income projections would be monitored and the Executive Board would be provided with progress reports. He also informed the Board that complete information on the extent of the situation had not been available in time to present it to the Board before the second regular session 1995. He assured the Board that the steps taken to delineate the respective responsibilities of UNIFEM and UNDP in finance and administration would prevent future problems.

16. The UNIFEM Director stated that significant de-commitments had taken place, severely affecting the work UNIFEM had aimed to carry out in many areas to benefit women in developing countries and in the Fund's advocacy role. She noted that those components of the administrative budget which were flexible, such as travel and communications, had been reduced. Of the scenarios for the future of UNIFEM provided in a conference room paper, it was explained that scenarios 2-5 were based on income remaining at the 1995 level. Options allowing for no new projects to be initiated would severely hamper the ability of the Fund to take advantage of opportunities presented by the Fourth World Conference on Women.

17. The Assistant Administrator and Director, Bureau for Finance and Administration, informed the Executive Board that the Administrator was fully accountable for UNIFEM, but managerial and financial responsibility had been delegated to the UNIFEM Director. As stated in the report, UNDP, as provider of central services to UNIFEM, should have been more proactive in addressing the financial situation of UNIFEM; however, that did not indicate in any way that UNIFEM had been regarded as a low priority.

18. The delegation of the United States informed the Board that, while it did not wish to block a decision, it could not join in the decision on UNIFEM for the reasons it had outlined during the discussion on the item.

19. The Executive Board adopted the following decision:

95/18. United Nations Development Fund for Women

The Executive Board

1. Authorizes the United Nations Development Fund for Women to proceed with its programme in keeping with the projections described in table 3 of document DP/1995/33 subject to the following conditions:

(a) Administrative expenditure should be reduced further to a level more consistent with its project activities while bearing in mind the need to retain a critical capacity for the Fund;

(b) Income projections should be kept under review and necessary steps should be taken and reported to the Board if the projections fall 10 per cent below the levels contained in table 3 of DP/1995/33;

(c) Effective financial and programme management procedures for both the United Nations Development Programme and the United Nations Development Fund for Women, including those recommended by the internal and external auditors, have been put in place as soon as possible and reported to the Executive Board not later than 1 January 1996;

2. Requests the Administrator of the United Nations Development Programme and the Director of the United Nations Development Fund for Women to implement the recommendations in the Management Letter of the Board of Auditors and to report on their implementation to the Board in the reports called for in paragraph 13 of the decision;

3. Also requests the Director of the United Nations Development Fund for Women to take personal charge of the periodic review of the financial statements identified in paragraph 59 of document DP/1995/33;

4. Authorizes the use of UNDP funds to cover, up to the limits specified in paragraph 5 below, the UNIFEM cash shortfall and requests the Administrator to establish for this purpose an overdraft facility for UNIFEM on the basis of the interfund accounts and to charge interest costs to UNIFEM for the use of this facility on a basis that will result in no gain or loss for UNDP;

5. Decides that this overdraft facility cannot be used for any new commitments incurred by UNIFEM after 1 January 1995, and that its utilization for prior commitments will be limited to the period 1995-1997, to a maximum drawdown of $4.5 million, with the proviso that the Administrator will report to it immediately if drawdowns exceed $3 million;

6. Suspends the requirements for the operational reserve until such time as it decides that the financial situation of UNIFEM is on a sound basis subject to the following conditions:

(a) That UNIFEM operates on a full funding basis for all new commitments incurred after 1 January 1995, ensuring that the total amount of

these new commitments is to be covered from its own resources, while recognizing that at the same time it may draw down on the UNDP overdraft facility, as required, within the limits specified in paragraph four above, to cover financial obligations incurred prior to 1 January 1995;

(b) That UNIFEM continues to calculate and report to the Board a notional operational reserve in order to ensure financial transparency;

7. Views with concern the absence of a satisfactory and timely explanation of the way the operational reserve was drawn down during 1994 and requests the United Nations Development Programme and the United Nations Development Fund for Women to provide one as soon as possible;

8. Decides that neither partial funding authority nor the operational reserve mechanism will be restored to UNIFEM until relevant control mechanisms have been thoroughly reviewed and new procedures have been put in place that will ensure, inter alia, the accurate calculation and regular updating of reserve levels, and the establishment of a system to provide sufficient early warning of any possible future drawdowns on the reserve;

9. Requests the Administrator to explore possibilities for the assumption and/or co-financing of relevant UNIFEM projects by UNDP, within the plans and priorities of UNDP and recipient governments;

10. Stresses the importance of establishing and maintaining a strengthened UNDP/UNIFEM interface, and requests the Administrator and the Director of UNIFEM to include information on this interface in their future reports to the Executive Board;

11. Endorses the Administrator's proposal to outpost one staff member from the UNDP Division of Finance to UNIFEM to assist in the monitoring of project funds and who will report to both UNDP/DOF and UNIFEM, without prejudice to the autonomy of UNIFEM, and without increasing UNIFEM administrative expenditures;

12. Requests the Administrator to bring its new Project Financial Management System online as soon as possible, incorporating enhancements to permit the recording of pipeline activity and shadow budgets, and calls for the Project Financial Management System to be established, at the earliest opportunity, as a common information system for both UNDP and UNIFEM, replacing the UNIFEM Budget Management System;

13. Also requests the Administrator to inform it of the measures taken once accountability for UNIFEM's current financial situation has been determined and of the steps taken to establish clear lines of accountability both within UNIFEM and between UNDP and UNIFEM;

14. Further requests the Administrator and the Director of UNIFEM to provide oral or written progress reports, as appropriate, on the implementation of the present decision to each session of the Executive Board in 1995 and 1996.

14 June 1995